

Landmark Tax Law in CA State Budget 2015

UPDATE



OUTREACH EVENTS
NON-PROFIT AND
BUSINESS SEMINARS
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WHAT IS THE BOE?
HOW CAN WE HELP
YOU ?



MA SQUAD
SPOTLIGHT



Fiona Ma: Updates from the SBOE

Inside this newsletter, you will find the latest updates on what's going on with the California State Board of Equalization. I hope you find this information useful, and as always, I want to encourage you to reach out to my office and my staff on any matter. A list of my staff members can be found on my website at <http://www.boe.ca.gov/ma/contact.htm>. You can also follow my daily activities on social media (on my Facebook fan page, LinkedIn and Twitter account. My staff and I look forward to serving you.

It all adds up! Getting to Know Board Member Fiona Ma, CPA

Destiny has led me to the State Board of Equalization (SBOE). Growing up, I was good at math so my parents encouraged me to be an accountant. I majored in accounting at the Rochester Institute of Technology and did my mandatory two co-ops with the trust and estate tax department of one of the Big 8 Accounting firms.

As a Certified Public Accountant, I specialized in the real estate and hospitality industries (specifically restaurants and hotels), partnerships and high net worth individuals. As President of the Asian Business Association, I advocated on behalf of small business owners. As a member of the San Francisco Assessment Appeals Board, I had hands-on experience in property tax evaluation. I began to understand the importance of public service as an aide to former State Senator John Burton and I had the honor of representing the Sunset District on the San Francisco Board of Supervisors from 2002-2006 where I led the effort to update our local business enterprise ordinance and tackled human trafficking.

My role at the local level paved the way for my interest in serving at the state level. As an Assemblywoman and Speaker pro Tempore, I am proud to have had 60 bills signed by two different Governors. Many of my bills were landmark legislation. They included the banning of toxic chemicals from baby products, establishing health and safety standards at tattoo/body piercing establishments, creating the framework for electric vehicles charging stations, and the formation of the Blueberry Commission.

I ran on the 3 "F's" platform and have been and will continue to implement these basic core values:

"Friendlier" tax agency that treats taxpayers with respect and dignity; "Fairness" - aggressively go after the underground economy which is not paying its fair share of about \$8 billion in taxes; and "Fix" problems administratively or legislatively to make it easier for individuals and companies to do business in California.



And now, I serve on the State Board of Equalization, the only elected tax board in the nation, where I get to combine my experience in accounting and public service to be an advocate for fairness, results, accountability and respect for all taxpayers.

The State Board of Equalization was created by a Constitutional Amendment in 1879. We collect about 30% of the state's revenues through more than 30 different tax and fee programs. In addition, we oversee the county assessors and assess assets that cross county lines, and adjudicate individual and corporate income tax and sales and use tax appeals. Since the SBOE was founded in 1879, I am only the second certified public accountant to serve on the nation's only elected tax board.

In my first six months of office, I have visited all 23 counties in my District. I have met with a number of county assessors and have also visited with our hard working staff in my four district offices and two field offices. I am hoping to open a Central Coast office soon to better serve my constituents in San Luis Obispo and Santa Barbara counties.

We put together a report on E Cigarettes for the Legislature. And my staff and I have participated in listening and learning tours related to California's medicinal cannabis industry, working with various stakeholders and advising the Legislative efforts in hopes of creating a workable, effective and revenue-generating body of regulations for this billion dollar industry.

I am proud to chair the SBOE's Legislative Committee, where I work closely with members of the Legislature to provide analysis, research and support to legislation that affects SBOE operations.

Our outreach team members have been and will continue to proactively reach out to taxpayers and provide guidance and education through our free Small Business Seminars and Non Profit Seminars. We had successful seminars in San Francisco, Oakland, Santa Barbara, Ukiah, and San Jose and plan to have more free seminars in Chico, Contra Costa, Santa Rosa, Humboldt, San Francisco and Pismo Beach and Monterey over the next 6 months.

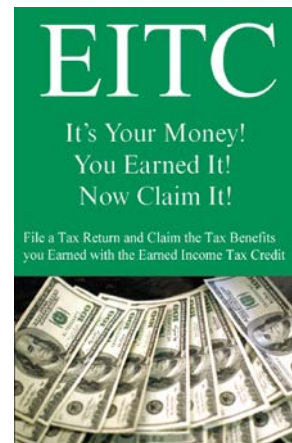
Though my path has taken me from accounting firms to public offices, my passion for public service remains the same. I look forward to making the SBOE and the state's tax code work for California

businesses and my constituents. Thank you for this opportunity to serve you. Please do not hesitate to contact me if I can be of assistance at Fiona.ma@boe.ca.gov or call me at (415) 557-3000.

Board Member Fiona Ma Urges California to Permanently Join the 26 Other EITC States

A budget agreement was announced by Governor Edmund G. Brown Jr., Senate President pro Tempore Kevin de León, and Assembly Speaker Toni G. Atkins in June 2015. In response, California State Board of Equalization Member Fiona Ma urged legislative leaders and Governor Jerry Brown to permanently establish a new Earned Income Tax Credit. This credit would affect nearly 2 million low income working families and help lift them out of poverty. Board Member Ma stated, "This is a good first step to making the tax code work for working families, and the EITC needs to be a priority in future budget years."

To learn more about the EITC credit in California, visit the Public Policy Institute of California website:
http://www.pplic.org/main/publication_show.asp?i=925



Honoring Leaders in SBOE District 2

Environmental and Economic Equalizer Award: John & Judy Ahmann



Board Member Fiona Ma knows that protecting our environment and natural heritage isn't just the job of the government—it's a responsibility we all share.

She is proud to honor leaders in one of California's oldest and most established industries—Agriculture, who has implemented groundbreaking and forward thinking sustainability practices in California.

At June's annual California Cattlemen's Breakfast, Board Member Ma presented her Environmental and Economic Equalizer Award to John and Judy Ahmann of Napa County in recognition of their best practices. For the last 50 years, the Ahmanns have been forward thinking entrepreneurs in the Agricultural Industry. The Ahmanns started with 1 bull and 30

head of cattle which now has grown to over 600 cattle on multiple properties run by solar power. Their ranches are creatively engineered with deep reservoirs designed to hold watershed runoff, drought tolerant trees and flora, and irrigation systems made of reusable material and pipes.

Eco Innovator Equalizer Award: Parducci Wine Cellars

In March, Board Member Ma presented her Eco Innovator Equalizer Award to Parducci Wine Cellars of Mendocino County, who has taken sustainability in the production of wine to a whole new level.



Parducci Wine Cellars incorporates sustainability practices at every level of production: cover crops are planted to enrich the soil and support biodiversity in the vineyard; effective habitat cultivation and preservation for birds and other insectivores provides a healthy alternative to pesticide use; farm animals help control weeds while also providing nutrients to the soil without the use of synthetic fertilizers; plant matter leftover from the vinifying process is used to produce compost on-site. Finally, water used in the wine making process is reclaimed through a special wetlands recovery area, treating it and leaving it as a nutrient-rich source of sustainable water for the vines.

The Ahmanns and Parducci Wine Cellars are worthy of recognition for their leadership and trailblazing sustainability practices, serving as models for the Agricultural Industry of California.

Honoring Women Veterans



On Saturday, March 21st, Fiona Ma recognized 273 women veterans at the Fourth Annual Women Veteran Summit, held at Bob Hope Patriotic Hall in Los Angeles.

“As women stand up and pursue military opportunities their mothers never dreamed possible, it is important that we recognize the sacrifice of their service as they come back home from serving America overseas, and I want to thank them for their service” said Board Member Ma.

The summit focused on wellness services while connecting veterans to key individuals for employment and education opportunities. Nearly 100 government agencies and service providers were in attendance.

Congratulations Golden State Warriors!! NBA Champions

What a great series! California's own Golden State Warriors brought back another national trophy back to the Bay Area. This is their 4th NBA Championship, winning their last one forty years ago. After the celebrations end, the Warriors win helped boost a crucial score--California's revenues. Congratulations to the players, the hardworking men and women who make up the entire Warriors Family - from senior management to folks we see behind the concession stands and the city and county personnel who keep the Oracle Arena safe and clean.

SBOE Trashes Nearly \$2 Million in Contraband Tobacco Products and Cigarettes



In May, Board Member Fiona Ma participated in the largest one-time destruction of contraband cigarettes and tobacco products in the state's history at the Yolo County Central Landfill in Woodland, California. The products destroyed were from three search warrants and 503 administrative seizures occurring from Bakersfield to the Oregon border between 2001 and 2014. The retail value of these products was approximately \$1.97 million.

SBOE investigators worked alongside the United States Attorney's Office, Bureau of Alcohol, Tobacco, Firearms and Explosives, and California Attorney General's Office to seize more than 30 tons of untaxed tobacco products as part of "Operation Big Pinch." This task force has proactively investigated and seized other tobacco products (OTP) from illegal sales operations. Left unabated, Excise Tax lost to these businesses operating in the underground economy would equal or exceed \$280 million as of April 2014.

The Cigarette and Tobacco Products Licensing Act of 2003 (Assembly Bill 71, Horton) required each seller of cigarettes and tobacco products to be licensed. Each year since, SBOE inspectors conduct about 10,000 inspections statewide to ensure compliance and seek out unstamped product or other cigarette and tobacco product tax violators.



In California there are two taxes on cigarettes; there is an excise tax of 87 cents per pack and a minimum sales tax of 7.5 percent. Some jurisdictions have as high as a 10 percent sales tax rate. As of July 1, 2015 the tax on OTP is 28.13%. Tobacco products include all forms of cigars, except "little cigars," smoking tobacco, chewing tobacco, and snuff, as well as other products containing at least 50 percent tobacco.

To view footage of the press conference, please visit:
<https://www.youtube.com/watch?v=r2ZXpGRHubM>

Humboldt County: A Closer Look



In April, Board Member Ma attended a two day tour of Humboldt County to learn more about California's medicinal cannabis industry. The delegation toured a variety of nurseries and farms to learn more about the hurdles that cannabis farmers face due to the lack of regulation. As SBOE's Chair of the Legislative Committee, Board Member Ma has been meeting with stakeholders to lend expertise and knowledge in regards to taxation and collection.

Ma Squad Spotlight: Sacramento Summer Fellow



Ashleigh McEvoy is a 2015 graduate of Brown University in Providence, Rhode Island, where she double majored in Political Science and Gender Studies. At Brown, she was involved with the Queer Alliance, the Brown Political Review, the Brown Democrats, and other political and social justice initiatives. She spent her childhood living in Los Angeles. Her family now lives in Boston, Massachusetts.

As an Equality California summer fellow, Ashleigh is excited to gain insight into the state's governing and legislative processes and to work with an organization that has been on the frontlines of advocacy for LGBTQ Californians. She hopes to strengthen her knowledge of politics and policymaking and learn more about the policy issues facing Californians. She feels fortunate for the opportunity to meet so many influential policymakers and gay rights advocates. After the fellowship, Ashleigh aspires to work in the policy realm as a researcher, analyst or advocate.

SBOE (State Board of Equalization) Did you know?

- The SBOE was created in 1879 in the California Constitution Convention. Initially intended to standardize and "equalize" county assessment practices (which had varied considerably even in counties adjacent to each other), the Board today governs not only County Assessors, but tobacco taxes, fuel taxes and sales taxes.
- Board Member Ma represents District 2 at the SBOE. This district has four district offices, two branch offices and represents close to 10 million people living in 23 counties from the Oregon border to Santa Barbara. For a map of the district, please visit: <http://www.boe.ca.gov/ma/district.htm>
- The SBOE brings in more than 50 BILLION dollars annually and has approximately 5,000 employees. One out of every three California tax dollars is collected by the SBOE.

FREE Consultations Available!

As a former small business owner, I also understand the challenges in keeping up to date with State reporting obligations and compliance. My office is happy to provide a FREE consultation for new businesses or businesses who want to learn how to navigate through the audit examination process. If you are interested, please contact Kathryn Asprey, Senior Tax Policy Advisor at Kathryn.Asprey@boe.ca.gov or (510) 622-4098.

Upcoming District 2 Tax Seminars

I hope you can join us at one or more of the following FREE seminars
(and invite your friends and colleagues)



**August 5, 2015
Contra Costa County
Small Business Seminar**

Elks Lodge
200 Marina Blvd
Pittsburg, CA 94565

**September 21, 2015
Sonoma County
Small Business Seminar**

Board of Supervisors Chambers
575 Administration Drive,
Room 100 A
Santa Rosa, CA 95403

**September 28, 2015
Humboldt County
Small Business Seminar**

Sequoia Conference Center
901 Myrtle Ave.
Eureka, CA 95501

**November 4, 2015
San Francisco County
Nonprofit and Faith-Based
Organizations Seminar**

Milton Marks Auditorium
455 Golden Gate Avenue
San Francisco, CA 94102

For more information or to register for our upcoming events,

visit us at: <http://www.boe.ca.gov/sutax/sbf.htm>

Thanking Our VITA Volunteers!

The Volunteer Income Tax Assistance (VITA) program is an IRS program designed to help low and moderate-income taxpayers complete their annual tax returns at no cost. IRS-certified volunteers provide free basic income tax return preparation to qualified individuals. VITA sites are conveniently located in community and neighborhood centers to provide easier access to the disabled, elderly, and those that require language assistance. VITA volunteers complete training and testing to become certified by the IRS. In 2014 nearly 96,000 VITA volunteers prepared over 3.6 million returns at thousands of tax sites nationwide. I'd like to take this opportunity to thank my district staff who donated their personal time to provide free tax preparation services this past 2015 tax season.

Thank you to our 2015 SBOE District 2 VITA Volunteers:

Amanda Narvaez-Albertoli
Ashia Ismail
James Cam
Ariana Canul
Huakang (Tom) Zhou

Lida Niadj
Linda Lu
Ronika Christian
Sandra Mitry
Rocio Watteyne

Salma Chowdhury
Smitha Ayyar
Sophia Ficarra
Xuan Ly
Wendy Mesa

Out In the Field: State Compliance & Outreach Program (SCOP) Team

The State Compliance and Outreach Program (SCOP) team members of the SBOE routinely visits businesses to verify they have the proper permits and to answer any questions business owners may have. The SCOP team will send out letters to business owners stating the time frame for their visit.



On July 1st, Board Member Fiona Ma and members of her team met with SCOP team member Robert Chadwick at the Hillsdale Shopping Center in San Mateo. During this ride-along they met with several business owners, observed the process, and the checklist of questions that are asked. It is important to note that a business should have all of its required businesses licenses and permits prominently displayed to avoid a follow-up visit.



The SCOP program was started in 2008 as an outreach and education program. While 98% of all SBOE revenues are the result of voluntary compliance, SCOP staff can answer questions and help business owners correct errors that can prevent costly future audit liabilities. They also perform basic account maintenance, such as adding a new location to an existing permit, update contact information and/or changes in ownership.

Board Member Ma on the Road in SBOE District 2



On the road...



Del Norte Assessor Jennifer Perry



Santa Barbara Small Business Seminar



Visiting the Oakland District Office Staff



San Jose Merchant Walk with
Councilmember Ash Kalra

AAPI State Leaders Ring in the New Year

On March 6, 2015 Board Member Fiona Ma, Assembly member Phil Ting and Assembly member David Chiu welcomed the Year of the Ram during their inaugural Lunar New Year celebration.

The Lunar New Year is an important holiday for the Asian community. It marks as the start of a new beginning and hoped-for prosperity. This celebration brings the community together to reflect on shared values and experiences among family and friends. The lunar calendar is based on the zodiac, with 12 animals -- rat, ox, tiger, rabbit (cat in the Vietnamese zodiac), dragon, snake, horse, ram, monkey rooster, dog, and pig.



Photo credit: Benjamin Kwan (World Journal)

Fiona Ma, Chair of the SBOE Legislative Committee

As Chair of the State Board of Equalization's Legislative Committee, Board Member Ma is proactively following legislation that has a nexus to the SBOE. SBOE's legislative tax experts, led by Michele Pielsticker, provide input and guidance to legislative members' offices. Board Member Ma also testifies at various Assembly/Senate committee hearings when a bill is "supported" or "sponsored" by the BOE Board. Please contact Member Ma at <http://www.boe.ca.gov/ma/contact.htm> if you have comments and/or concerns regarding specific bills moving through the Legislature.

Below is a brief overview of some of the bills that Board Member Ma and her staff are watching:

- **AB 243 (Wood)** AB 243 seeks to regulate Medical Cannabis Cultivation and mitigate environmental damage due to illegal cannabis grows. Board Member Ma along with SBOE staff have offered important technical support to Assembly member Wood's office on an excise tax provision in the bill to fund local government efforts to curb illegal grows and clean up environmental damage caused by these illegal grows. (No official support position)
- **AB 266 (Bonta)** AB 266 seeks to create a sweeping statewide regulatory framework for medical cannabis. Board Member Ma and SBOE staff have provided technical assistance on

licensing schemes and a regulatory framework for creating a distribution and transportation system for medical cannabis from farm to dispensary. (No official support)

- AB 1277 (Brough) AB 1277 seeks to allow the SBOE's Taxpayer Rights Advocate the ability to offer a higher dollar to taxpayers who have had their wages garnished by the SBOE and are experiencing some type of economic hardship. (SBOE Sponsored bill)
- SB 140 (Leno) SB 140 seeks to regulate E-cigarettes in the State of California. Currently there are very few statewide regulations on E-cigarettes. SB 140 would ban the use of these devices in all public places. SB 140 would also require retailers of E-cigarettes to be licensed by the State. Board Member Ma is a strong sponsor of regulating E-cigarettes and a strong supporter of this bill.
- SB 433 (Berryhill) SB 433 seeks to allow the Governor's Department of Finance to determine the fuel tax swap rate. Current law charges the SBOE board members to set the rate once a year which remains constant for the entire year. The Department of Finance reviews the State's budget throughout the year and should be the regulatory body that sets the rate in the state budget each year. This bill has a five year sunset. (SBOE Sponsored bill)
- SB 526 (Fuller) SB 526 puts the burden on the spouse responsible for the tax liability and will not place the tax burden on an innocent spouse/victim of domestic abuse. (Supported by Board Member Ma)

As your Board Member, I look for ways to make the SBOE a friendlier tax agency while fixing problems and pursuing fairness in tax administration.

As the SBOE Legislative Chair, please send me your ideas on how to fix California's tax laws and your proposed solutions to me at Fiona.Ma@boe.ca.gov.

Taking the Haze Out of Vaping

In March, Board Member Ma released a report to the Legislature, outlining the various challenges and revenue opportunities surrounding controversial "E-Cigarette" products. These products deliver nicotine through the inhalation of vaporized oils and resins, commonly referred to as "vaping." The report comes as the Legislature considers a number of proposals to regulate the use of E-Cigarette devices.

Here is one of the report's most glaring findings: there are virtually no restrictions on advertising or marketing to children. As detailed in the report, E-Cigarettes are rapidly gaining in popularity, particularly among teenagers. Tobacco advertisements were outlawed in the 1970s under a bill signed into law by President Richard Nixon—yet the report describes alarming data showing that children, and particularly teenagers, are well acquainted with E-Cigarette devices through high profile marketing campaigns, including commercials airing during events like the Super Bowl promoting familiar flavored cartridges, use of famous celebrity spokespeople and even cartoon characters such as "Hello Kitty."

The report also details the emerging body of research that is already demonstrating that E-Cigarettes are not a healthy alternative to smoking cigarettes, nor are they effective in helping smokers quit — despite some advertising campaigns that make this exact claim.

Finally, the report outlines the various means by which the State of California can impose additional taxes on E-Cigarettes. Under current law, only sales tax is applied to the purchase of E-Cigarettes or their accessories. E-Cigarettes are held to a far lower standard than cigarettes or other tobacco products, meaning the State of California is essentially leaving millions of dollars on the table when the intent of the voters and the legislature is to tax all tobacco products.

To view the full report, please visit this link: <http://www.boe.ca.gov/ma/pdf/e-CigReport.pdf>

Helpful Resources

- News for Tax Practitioners – Publication 542 (March 2015): <http://www.boe.ca.gov/pdf/pub542.pdf>
- The SBOE Tax Evasion Hotline, accessed by calling **888-334-3300**, will provide an outlet for concerned citizens experiencing tax evasion in any form to report problems directly to a Board of Equalization representative. The toll-free number is now accessible, and representatives will be available to take calls from 8 a.m. to 5 p.m. Monday through Friday, except for holidays.
- The Taxpayers' Rights Advocate (TRA) Office helps taxpayers when they are unable to resolve a matter through normal channels. Click here for Publication 70: *Understanding Your Rights as a California Taxpayer* at <http://www.boe.ca.gov/pdf/pub70.pdf>

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